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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/16/06

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**3) Prime Minister's Official Residence (Kantei)**

Prime Minister's schedule, June 15

NIHON KEIZAI (Page 2) (Full)  
June 16, 2006

10:36

Met at Kantei with Chief Cabinet Secretary Abe, followed by Deputy Chief Cabinet Secretary Suzuki.

13:00

Attended Upper House Budget Committee session.

16:47

Met at Kantei with Administrative Reform Minister Chuma and Administrative Reform Promotion Office Chief of Secretariat Matsuda, attended by Deputy Chief Cabinet Secretary Futahashi. Met later with Financial Affairs Minister Yosano and Cabinet Office's Director General Takahashi.

17:29

Posed for a group photo with World Economic Forum President Schwab and others. Attended reception of WEF on East Asia.

19:06

Met at Haneda Airport the Emperor and Empress, who returned from overseas trip.

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19:56

Met with former Prime Minister Mori at Akasaka Prince Hotel.

21:02

Returned to his official residence.

4) Vice defense minister going along with Koizumi to US as security aide-de-camp

ASAHI (Page 4) (Full)  
June 16, 2006

Prime Minister Koizumi will have Defense Agency Administrative Deputy Director General Takemasa Moriya accompany him on his upcoming US trip scheduled for late this month. Koizumi will meet with US President Bush on June 29, and the two leaders are expected to talk about the realignment of US forces in Japan and the situation in Iraq as well. Moriya is expected to serve as Koizumi's aide-de-camp in the area of security affairs.

Moriya was a key player in a series of talks with the United States over the US military realignment. In past Japan-US summits, however, the Foreign Ministry used to be on the front. It is extremely rare for an administrative deputy director general of the Defense Agency to accompany a prime minister to the United States.

"Even the Foreign Ministry's administrative vice minister is not going, so it's unprecedented," a senior official of the Defense Agency said. "The two countries' leaders are now very much concerned about defense issues, I guess," the official added.

5) British forces to transfer security powers to Iraq; GSDF may pull out this month

YOMIURI (Page 1) (Full)  
June 16, 2006

The British government has told the Japanese government that Britain will announce plans on June 15 to transfer security and administrative powers from the multinational force to the Iraqi government in the southern Iraqi province of Al Muthanna, which includes Samawah, where a Japanese detachment of Ground Self-Defense Force troops has been deployed to assist with Iraq's reconstruction, officials said yesterday. Britain would like to transfer the powers immediately after announcing the plan, according to the officials. In response, the government has entered into coordination to make a decision late this month on the GSDF detachment's withdrawal. Four countries-Japan, the United States, Britain and Australia-will shortly hold a meeting of working-level officials in London to coordinate their views.

The United States, Britain, and other multinational force members

have been holding informal meetings with the Iraqi government to look into the possibility of transferring security and administrative powers in each province of Iraq. The multinational force and the Iraqi government have agreed that it would be possible to transfer the powers at an early date in the province of Al Muthanna, where the GSDF has been operating, according to officials.

According to Japanese government officials, the Iraqi government

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and the multinational force will hold a meeting of their powers transfer committee after reaching a general agreement in their informal meeting. The committee is made up of Iraqi cabinet ministers, including the defense minister and the interior minister, and the commanders of US and British forces in Iraq and the US and British envoys to Iraq. The Iraqi government and the multinational force, after reaching a final agreement, will announce when to transfer the powers, according to the officials.

The Japanese and British governments recently held a meeting of their officials to consult on when to announce the transferal. In the meeting, the British government told the Japanese government that Britain would like to announce the transferal of security powers on June 20 and that the Australian government has also basically agreed to do so. This is believed to based on the results of their informal meetings. Japan and Britain will now enter into final coordination with the United States, which is the core of the multinational force.

The Japanese government will make a formal decision on the GSDF's withdrawal when the transferal of powers is determined. The government would like to start withdrawing the GSDF troops in late June at the earliest along with the Samawah-based British and Australian forces. The government is making preparations for the GSDF's pullout from Samawah in about 30-35 days. The GSDF troops will move to Kuwait in late July and will return home thereafter if Japan's coordination with the multinational force members is well under way and the GSDF is ready to pull out.

6) All-time high of 84 officials punished over DFAA bid-rigging incident; Investigative committee report blames amakudari

TOKYO SHIMBUN (Page 1) (Excerpt)  
June 16, 2006

The Defense Facilities Administration Agency (DFAA) Investigative Committee (chaired by DFAA Director General Iwao Kitahara), which has investigated bid-rigging cases led by its officials, yesterday released a report noting that an attempt to secure posts for retiring DFAA officials was behind the wrongdoings. The report, however, failed to clarify the full picture of the incident, with the question whether cost estimates for construction projects were leaked or not remaining vague. Following the report, the DFAA took disciplinary action against 52 officials, including the demotion of Construction Department Director General Toshiaki Kawano, who ordered the scrapping of order-placement lists, by two levels, and a warning to Director General Kitahara. Thirty-two Defense Agency officials, including Director General Takemasa Moriya, were disciplined. The punishment of a total of 84 personnel is the largest for the JDA and DFAA.

7) Japan to renovate Yokosuka Port for US nuclear flattop

ASAHI (Page 4) (Full)  
June 16, 2006

Japan and the United States held a meeting of their intergovernmental joint committee yesterday and agreed that the Japanese government will dredge the Port of Yokosuka in Kanagawa Prefecture to berth the USS George Washington, a nuclear-powered aircraft carrier to be deployed to the US Navy's Yokosuka base in

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8) LDP's Yamasaki puts off visit to North Korea

Taku Yamasaki, former vice president of the ruling Liberal Democratic Party, has now made up his mind to postpone his scheduled visits to North Korea and South Korea for the time being. Yamasaki had planned to leave Japan on June 20 for the two countries. "I will postpone my foreign trip," Yamasaki said in a general meeting of his intra-party faction yesterday. "I will work on our (faction's) policy proposals," he added.

9) Provision of patrol boats to Indonesia: Signing ceremony held one day behind schedule with Japan's concessions to Indonesia's request for creating supplementary document

YOMIURI (Page 2) (Full)  
June 16, 2006

Etsunari Kurose, Jakarta

The signing ceremony for a letter of agreement on Japan's offer of three patrol boats in grant aid to Indonesia, which had been suspended due to the Indonesian government's objection, was held in Jakarta yesterday one day behind schedule.

According to sources from both governments, Indonesia raised an objection to the restricted use of the patrol boats for such purposes as antiterrorism at sea and antipiracy, but afterwards, both the governments reached a compromise on creating a supplementary document that will give consideration to Indonesia's request instead of modifying the agreement and signing the document.

According to an Indonesian Foreign Ministry official, the supplementary document states that the patrol boats shall be used for comprehensive purposes under the peacekeeping framework for the Strait of Malacca as agreed on in August 2005 among Indonesia, Malaysia, and Singapore, in accordance with the United Nations Convention on the Law of the Sea, and under Indonesia's control.

Japanese Ambassador to Indonesia Shin Ebihara said firmly: "The supplementary document is not contradictory to the agreement that restricts the use of patrol boats."

On the other hand, an Indonesian Foreign Ministry official commented, "The security measures for the Strait of Malacca include the securing of safe navigation and the preservation of the environment, so we need to grapple with the security matters from various angles," implying a possible expansion of the purposes of the use of the patrol boats.

10) Some are skeptical of the restricted use of patrol boats, saying it may not meet international standards

YOMIURI (Page 2) (Full)  
June 16, 2006

Japan decided to provide patrol boats to Indonesia as an exception to Japan's three principles banning weapons exports, and in following the procedures for this provision, Indonesia

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raised an objection to the restricted use of the boats for such purposes as antiterrorism at sea and antipiracy. Analyzing this objection, many in Japan said: "Perhaps Indonesia was concerned that the limited use would bring about inconvenience about the use of the boats." An exception was added to the three principles in 2004 when the government reviewed them, but a Liberal Democratic Party (LDP) member cast doubts, saying: "It may be too strict to meet international standards."

Senior Vice Foreign Minister Yasuhisa Shiozaki told a news conference yesterday: "We were interrupted by technical matters.

It's absolutely not that some problem arose about the three principles banning weapons exports." A senior Foreign Ministry official likewise emphasized: "No modification was made to the agreement both sides signed. The conditions set by Japan, such as limiting the use of the boats to antiterrorism and antipiracy, should be observed."

11) BOJ Governor Fukui's investment in Murakami Fund: Determined to perform his duties; Apologizes over all the fuss; Reveals possession of stock in several companies

YOMIURI (Top Play) (Lead para.)  
June 16, 2006

The Upper House Budget Committee yesterday held an intensive deliberation on the issue of Bank of Japan Governor Toshihiko Fukui having invested 10 million yen in the Murakami Fund. Fukui indicated his perception that in compliance with the BOJ internal regulations, there was no problem about his continued investment in the fund led by Yoshiaki Murakami even after taking office as BOJ governor. Murakami was arrested on suspicion of violating the Securities and Exchange Law. Fukui later told a news conference that he wants to continue his duties as BOJ governor. He thus stressed that he had no intention of stepping down. Prime Minister Koizumi expressed his acceptance of Fukui's account, but the opposition camp is strongly opposing this stance of the prime minister.

12) Koizumi on fund flap involving BOJ Governor Fukui: "I am not thinking about replacing him"

TOKYO SHIMBUN (Page 2) (Full)  
June 16, 2006

Asked by reporters about the future course of Bank of Japan (BOJ) Governor Toshihiko Fukui over his investment in the Murakami Fund, Prime Minister Junichiro Koizumi categorically said at his official residence yesterday afternoon: "I am not thinking about replacing him." On Fukui's replies in a meeting of the House of Councillors Budget Committee yesterday, Koizumi said: "I understand his explanations. As long as he abides by the BOJ rules, there is no problem."

In this connection, Chief Cabinet Secretary Shinzo Abe also indicated in a press conference the same day that his resignation would not be necessary. He said: "I generally understood (the replies by Fukui). I hope he will continue to properly fulfill his duty, based on public confidence."

In the recording of a TV program yesterday, Minshuto President Ichiro Ozawa lashed out at Fukui's continued investment in the

TOKYO 00003337 007 OF 011

Murakami Fund even after assuming the present post, saying: "It is inconceivable that he continued (the investment) even after assuming office as BOJ president. He should feel great responsibility."

After the taping, Ozawa told reporters: "His action, if it is found true, is the ultimate insider trading. He should voluntarily resign, instead of doing so by being told by others."

Japanese Communist Party Chairman Kazuo Shii and Social Democratic Party President Mizuho Fukushima also said that Fukui should resign. Rengo (Japanese Trade Union Confederation) also issued a statement calling for his resignation.

13) Koizumi tells Mori he has no intention to name his successor

ASAHI (Top Play) (Excerpts)  
June 16, 2006

The current session of the Diet will essentially end today with no extension of its term, which will formally expire on June 18. Now the three-month-campaign for the September Liberal Democratic Party (LDP) presidential race will move into full swing. Prime

Minister Junichiro Koizumi last night told former Prime Minister Yoshiro Mori that he would not name a successor. At present, Chief Cabinet Secretary Shinzo Abe, who is regarded as a successor to the Koizumi reform drive, aims to replace Koizumi. With former Chief Cabinet Secretary Yasuo Fukuda in mind, LDP forces seeking an end to the Koizumi reform line are now trying to form a group opposing Abe. Many in the non-Abe group are strengthening their calls urging Fukuda to make his position clear.

Koizumi met last night with Mori, who heads the largest faction of the LDP, to which Abe and Fukuda belong, at a Tokyo hotel, and they exchanged views for about one hour on the party leadership race. Mori had hoped to hold a meeting with Koizumi in an attempt to prevent factional discord, as well as to avoid turmoil in the LDP.

With Koizumi's remark that he will clarify for whom he will vote in mind, Mori told Koizumi:

"I think you should refrain from announcing your choice for the next LDP president. All (post-Koizumi contenders: Abe, Fukuda, Foreign Minister Taro Aso, and Finance Minister Sadakazu Tanigaki) have supported you. I want you to consider this point."

Koizumi then replied, "Let's not mention the name of the next president." He added: "I left the faction and assumed the prime minister's post. I no longer can return to the faction." He indicated that he would not return to the Mori faction after he steps down from his post.

14) "Things that look ruthless are beneficial for the people, and they will understand that in the future," says Koizumi in his last committee session

MAINICHI (Page 2) (Full)  
June 16, 2006

"I have been conducting politics, believing that things that may  
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look ruthless on the surface are in fact beneficial for the people of Japan and that the public will understand that in the future."

Prime Minister Junichiro Koizumi summed up his performance this way in the House of Councillors Budget Committee session yesterday, his last as premier.

It has been over five years since he took office in April 2001. Koizumi has handled Diet interpellations aggressively and defiantly at times, saying at one point, "It's not a big deal to break a promise of this level."

In yesterday's session, Minshuto (Democratic Party of Japan) member Yasuhiro Tsuji criticized the growing social disparity, saying, "We don't believe in a small government." Koizumi brushed aside Tsuji's view, stating: "A big government will force a greater tax burden on the people. With such a public pledge, I don't think Minshuto can take over the reins of government."

In response to questions from members of the Japanese Communist Party and the Social Democratic Party, Koizumi also stated bluntly: "We have been in power because we are entrusted by a majority of the people who have all sorts of views."

Above all, yesterday's highlights were Bank of Japan Gov. Toshihiko Fukui's investment in the Murakami Fund and the Social Insurance Agency's irregularities regarding national pension premiums. Questioners grilled the top officers of the two organizations, appointed by Koizumi. The session broke off four times over answers by Fukui and others. Forced repeatedly to wait for the session to resume, Koizumi looked gloomy in his last committee session.

15) Will Koizumi visit North Korea or Iraq as another surprise?

Attention is being focused on what Prime Minister Koizumi will do before he steps down in September after the current Diet session adjourns today. The prime minister has in the past astonished the people by suddenly visiting North Korea and by making unexpected personnel decisions. Will there be another surprise?

Asked by reporters the other day about how he would spend the summer, the prime minister made this reply: "I have a lot of things to do. There are a huge backlog on the policy agenda, including foreign, domestic, economic, and fiscal issues."

The prime minister is scheduled to visit the US and Canada starting on June 27. After having the Basic Policies for Economic and Fiscal Management, with which the Koizumi reform initiative will be completed, adopted at a cabinet meeting on July 7, he will make an overseas trip to attend the G-8 summit (St. Petersburg Summit) in Russia in mid-July.

Afterward, however, there is nothing major on the calendar until Sept. 12, the expected date of the Liberal Democratic Party presidential election. But the prime minister adamantly rejected an extension of the Diet session. Given this, speculation has been rife that he might be planning some surprise.

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Some talk about a possible visit to Iraq to encourage Self-Defense Force (SDF) troops. This conjecture floated whenever he made an overseas trip, but US President Bush's sudden visit to Iraq on June 13 has revived such speculation. The prime minister, though categorically denied the possibility on June 14. A close aide to Koizumi made this explanation: "SDF troops have been dispatched to help the entire nation of Iraq. If the prime minister goes there to encourage SDF troops, it could give the wrong impression that the SDF are the focus of his attention."

In addition, SDF members are not allowed to use armed force overseas, so if Koizumi decides to visit Iraq, the government will have to ask other countries' troops to guard him. As it stands, there are many hurdles to clear in order to bring about an Iraq visit by the prime minister.

Also a topic of speculation is a third visit to North Korea. In the past two visits, Koizumi succeeded in getting North Korean President Kim Jong Il to admit that Pyongyang had abducted Japanese citizens and to allow five abduction victims and their families to return to Japan. Later, the abduction and nuclear development issues reached an impasse. Some speculate that the prime minister might visit North Korea to break the impasse on these issues.

Although Koizumi has not completely ruled out the possibility, saying: "I'm not considering it now," his aide said: "The prime minister will visit North Korea only when the two countries normalize diplomatic ties." Since the prime minister has indicated that he does not necessarily aim at resolving the abduction issue before leaving office, this possibility is also seen as extremely slim.

On a visit to Yasukuni Shrine this year, many anticipate that the prime minister will visit the shrine on Aug. 15, as he pledged in the LDP presidential election campaigning in 2001. Some officials are quoted as saying that a visit to the shrine on the day marking the end of World War II will no longer be a surprise. Rather, visits to China and South Korea to improve the strained relations, instead of Yasukuni Shrine, would be more of a surprise.

16) Former Chief Cabinet Secretary Fukuda declines to deliver speech at study meeting, fueling speculation that he may not run in presidential race

MAINICHI (Page 5) (Full)  
June 16, 2006

By Yoshiaki Nakagawa, Ryuko Tadokoro

Yasuo Fukuda, a member of the Liberal Democratic Party (LDP) and former chief cabinet secretary, yesterday revealed that he had declined to deliver a speech at the Asia Study Council planned for June 20. When asked about the reasons by reporters, Fukuda told them: "If the council intends to invite contenders (for premiership) equally to its gathering, I am not among them. I am not qualified." Anti-Koizumi lawmakers of the LDP are pushing Fukuda to clarify his plans at an early date, but this decision not to give a speech is fueling speculation. For instance, a veteran lawmaker noted: "Mr. Fukuda may be thinking about backing

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out of the presidential race."

The council planned to have Fukuda as a guest speaker on June 20, but Fukuda, upon returning from New Zealand on June 13, told a leading member of the council about his refusal to deliver a speech. After deciding to invite Fukuda to its meeting as a guest speaker, the council invited Chief Cabinet Secretary Shinzo Abe, Foreign Minister Taro Aso, and Finance Minister Sadakazu Tanigaki to separate meetings as guest speakers.

According to a lawmaker close to Fukuda, Fukuda told him, "I can't attend something like a speech meeting for the presidential race. Those who want to attend it should attend," and he did not make any commitment. Former Prime Minister Yoshiro Mori complained to New Komeito Upper House Caucus Chairman Shozo Kusakawa: "Mr. Fukuda stays mute."

A sense of disappointment is spreading among veteran lawmakers who have urged Fukuda to clarify his attitude. A former cabinet member of the LDP said: "If Mr. Fukuda has no intention to run, we need to put up someone to replace him."

17) Parliamentary group's interim report calls for allocation of money for feasibility study of new war memorial, says official visits to Yasukuni Shrine are unconstitutional

SANKEI (Page 4) (Excerpts)  
June 16, 2006

A nonpartisan group of lawmakers from the ruling Liberal Democratic Party (LDP), New Komeito, and the main opposition party Minshuto (Democratic Party of Japan) yesterday compiled an interim report calling on the government to build a secular national peace memorial to honor those who died in war. Taku Yamasaki heads the group. The interim report stipulates that funding for a feasibility study should be allocated in fiscal 2007. It also points out that official visits to Yasukuni Shrine by the prime minister and state ministers are unconstitutional.

The contents of the report are similar to one formulated in December 2002 by an advisory panel to then Chief Cabinet Secretary Yasuo Fukuda. The 2002 report stressed that when state

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officials honor the war dead, they should give full consideration to other countries, especially to the sentiments of neighboring countries. It also called on the government to conduct a feasibility study on the name, nature, and location of a new facility.

18) Japan to conduct BSE testing on beef from additional countries; Mexican, Chilean beef to be subject to inspection

ASAHI (Page 2) (Full)  
June 16, 2006

The Food Safety Commission yesterday began considering the possibility of conducting BSE testing on beef imported from various countries. Products from Mexico, Chile, and China, whose

imports have sharply increased due to the embargo against US and Canadian beef, will become subject to this policy. The panel will formally make the decision after hearing opinions from the Prion Expert Council; the Ministry of Health, Labor, and Welfare; and the Ministry of Agriculture, Forestry, and Fisheries.

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In fiscal 2005, 97.4% of beef imported by Japan was from Australia (approximately 410,000 tons), followed by New Zealand (approximately 40,000 tons). Mexico ranked third with 7,426 tons, 940 times the level of fiscal 2003. Imports from Chile, which ranked fourth, also markedly increased to 2,680 tons, 44 times the level of the same year. Imports from China stood at 376.9 tons, but the largest portion of more than 10,000 tons of materials for beef-related products, such as hamburgers and beef bowls, was from this country.

No BSE cases have been reported in those countries.

SCHIEFFER